

February 8, 2012

**VIA ELECTRONIC MAIL**

Mr. Russell Crosby  
 Director of Retirement Services  
 Federated City Employees' Retirement System  
 1737 North 1<sup>st</sup> Street, Suite 580  
 San Jose, California 95112

**Re: 5-Year Budget Projections for Federated**

Dear Russell:

As requested for purposes of City budget projections, we have estimated the future contributions expected to be required of the City of San Jose to the City of San Jose Federated Employees' Retirement System (Federated Pension) and the Federated Retiree Health Care Plan (Federated OPEB) for the next five years. The table below summarizes our estimated contributions assuming City contributions are made throughout the fiscal year.

City of San Jose Federated Employees' Retirement System							
(Dollar amounts in millions)							
FYE	Payroll	Pension		OPEB		Total	
		Amount	Rate	Amount	Rate	Amount	Rate
2013	240.2	106.7	44.4%	18.9	7.9%	125.6	52.3%
2014	248.0	116.4	46.9%	41.8	16.8%	158.2	63.7%
2015	256.1	122.8	48.0%	44.6	17.4%	167.4	65.4%
2016	264.4	122.5	46.3%	46.3	17.5%	168.8	63.8%
2017	273.0	123.8	45.4%	47.8	17.5%	171.6	62.9%

**Please note that these projections are based on the June 30, 2011 Actuarial Valuations for the Plans, and assume that all assumptions were exactly met since June 30, 2011 and are exactly met each and every year into the future. In reality, experience will deviate from the assumptions with the expectation that overall favorable deviations will be offset by unfavorable deviations over time. Finally, we have not adjusted the projections for any events, transactions or experience, and including investment returns, after June 30, 2011.** Please refer to the valuation reports for a description of the plan provisions, a summary of the data, and a summary of the methods and assumptions used in each of the valuations.

Also as requested, we have attached 20-year projections of City pension contributions.

We hereby certify that, to the best of our knowledge, this letter and its contents, which are work products of Cheiron, Inc., are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which



Mr. Russell Crosby

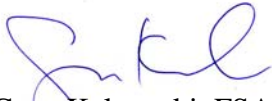
February 8, 2012

Page 2

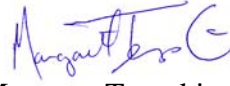
are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

These projections were prepared exclusively for the City of San Jose for the purpose of budget projections. These projections are not intended to benefit any third party. If you have any questions about this analysis, please let us know.

Sincerely,  
Cheiron



Gene Kalwarski, FSA, EA, MAAA  
Principal Consulting Actuary



Margaret Tempkin, FSA, EA, MAAA  
Principal Consulting Actuary

Attachment

cc: Bill Hallmark  
Carmen Racy-Choy  
Anne Harper

**CITY OF SAN JOSE FEDERATED EMPLOYEES' RETIREMENT SYSTEM  
20-YEAR PROJECTED PENSION CONTRIBUTIONS**

**City of San Jose  
Federated Employees Retirement System  
20-Year Projections of City Pension Contributions**

<b>Fiscal Year Ending</b>	<b>Projected City Contribution Amount (Middle of Year)</b>	<b>Projected City Contribution Rate (% of Payroll)</b>
<b>2012</b>	\$ 90,275,000	28.3%
<b>2013</b>	\$ 106,744,000	44.5%
<b>2014</b>	\$ 116,387,000	46.9%
<b>2015</b>	\$ 122,835,000	48.0%
<b>2016</b>	\$ 122,450,000	46.3%
<b>2017</b>	\$ 123,833,000	45.4%
<b>2018</b>	\$ 128,048,000	45.4%
<b>2019</b>	\$ 132,385,000	45.5%
<b>2020</b>	\$ 136,861,000	45.6%
<b>2021</b>	\$ 141,478,000	45.6%
<b>2022</b>	\$ 146,238,000	45.7%
<b>2023</b>	\$ 151,143,000	45.7%
<b>2024</b>	\$ 156,197,000	45.7%
<b>2025</b>	\$ 161,413,000	45.8%
<b>2026</b>	\$ 166,799,000	45.8%
<b>2027</b>	\$ 172,365,000	45.9%
<b>2028</b>	\$ 178,118,000	45.9%
<b>2029</b>	\$ 184,067,000	45.9%
<b>2030</b>	\$ 190,218,000	46.0%
<b>2031</b>	\$ 196,580,000	46.0%
<b>2032</b>	\$ 204,432,000	46.4%

*Based on 6/30/11 actuarial valuation*